

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Curt Hébert, Jr., Chairman;
William L. Massey, and Linda Breathitt.

California Independent System Operator
Corporation

Docket No. ER00-2208-001

ORDER GRANTING CLARIFICATION AND
DISMISSING REQUESTS FOR REHEARING

(Issued April 12, 2001)

On June 14, 2000, the Commission issued an order conditionally accepting proposed Tariff Amendment No. 28 filed by the California Independent System Operator Corporation (ISO).¹ On July 14, 2000, requests for clarification, or, in the alternative, rehearing of the June 14 Order were filed by: M-S-R Public Power Agency and the Cities of Santa Clara and Redding, California (jointly); Metropolitan Water District of Southern California; Modesto Irrigation District; and the Transmission Agency of Northern California (collectively, Intervenor). As discussed below, we grant the clarifications requested by Intervenor, and we dismiss as moot their requests for rehearing.

Background

Tariff Amendment No. 28

The ISO's proposed Tariff Amendment No. 28 addressed the ISO's need to obtain additional resources to maintain adequate reserves during Summer of 2000. Among other things, the ISO proposed to implement a Summer 2000 Demand Relief Program which allowed the ISO to enlist individuals or groups thereof willing to provide a net demand reduction for a specified time upon request. The ISO proposed to compensate such participants through a fixed monthly payment for each month in which they commit to curtail demand, and to allocate the resulting costs to ISO Scheduling Coordinators in proportion to their metered demand during the hour in which the costs were incurred.

¹California Independent System Operator Corp., 91 FERC ¶ 61,256 (2000) (June 14 Order).

Requests for Clarification and Rehearing

Intervenors request that the Commission clarify its acceptance of Tariff Amendment No. 28 in two respects. First, Intervenors request clarification that the Demand Relief Program is temporary in nature and, absent a further filing by the ISO, will terminate on October 15, 2000. Second, Intervenors request clarification that the June 14 Order is not precedential with respect to any substantive matter on which it opined. Intervenors indicate that if the Commission grants these two clarifications, then their further concerns regarding the Demand Relief Program, as discussed below, will be ameliorated.

In the event that the Commission does not grant the above clarifications, Intervenors request rehearing of the June 14 Order in four respects. First, certain Intervenors assert that the Commission erred in accepting certain limitations placed on participation in the Demand Relief Program. Second, Intervenors assert that the Commission erred in allowing Demand Relief Program costs to be allocated to all Scheduling Coordinators. Third, Intervenors assert that the Commission erred in determining that the breadth of the applicable Tariff provisions was just and reasonable. Fourth, Intervenors assert that the Commission erred in not initiating a hearing proceeding in regard to the Demand Relief Program.

Discussion

We will grant the requested clarifications. First, with respect to the effective period of the Demand Relief Program, the ISO stated in its filing that it would seek "a net cumulative Demand reduction . . . during the summer 2000 peak period (June 15, 2000 through October 15, 2000)." ² Further, the June 14 Order found that the ISO's proposal is one of the kinds of short-term innovative approaches to reliability that the Commission has envisioned. ³ Although we believe that the temporary nature of the Demand Relief Program was implicit in the June 14 Order, we nonetheless hereby clarify that the program's effective period was limited to the period of June 15, 2000, through October 15, 2000. Should the ISO seek to implement a similar program for a later period, it will need to make an appropriate filing with the Commission under section 205 of the Federal Power Act. ⁴

²See ISO's April 14, 2000 filing in Docket No. ER00-2208-000 (April 14 Filing), at 5.

³See June 14 Order, 91 FERC at 61,896.

⁴We note that the ISO has issued or will issue shortly Requests for Bids for its Summer 2001 Demand Relief Program and Discretionary Load Curtailment Program. We
(continued...)

Second, with respect to the precedential nature of the June 14 Order, we clarify that our findings therein do not guarantee our acceptance of any similar demand reduction program that the ISO may propose for a later period. In particular, although we continue to believe that the Demand Relief Program's cost allocation methodology was just and reasonable,⁵ it is not necessarily the only acceptable methodology for recovering such costs.⁶ Indeed, our acceptance of the Demand Relief Program was based in part on the ISO's commitment that subsequent studies would be undertaken to determine whether the cost allocation methodology should be modified in the future.⁷ If the ISO files a similar proposal with the Commission for the Summer of 2001, we fully expect it to provide the results of that study and to tailor its proposed cost recovery mechanism accordingly.

Insofar as we believe the above clarifications address Intervenor's concerns, we dismiss as moot their requests for rehearing.

The Commission orders:

⁴(...continued)

assume that the ISO will file its proposed programs for Commission review prior to their implementation. These proposals are the types of demand reduction programs that the Commission recently took action to encourage. See Order Removing Obstacles To Increased Electric Generation And Natural Gas Supply In The Western United States, 94 FERC ¶ 61,272 (2001).

⁵See the June 14 Order, 91 FERC at 61,897 (stating "we agree with the ISO that maintenance of grid reliability benefits all loads that rely on the ISO Controlled Grid and, therefore, that allocation of program costs on a system-wide basis (i.e., to all Scheduling Coordinators) is reasonable." (emphasis supplied)).

⁶See, e.g., California Power Exchange Corporation, 92 FERC ¶ 61,093 at 61,372, n.10 (2000) (stating in our acceptance of a cost allocation methodology proposed by the California Power Exchange Corporation (CalPX) that "we do not necessarily consider this aspect of CalPX's proposal to be the only acceptable methodology"); see also Cities of Bethany, et al. v. FERC, 727 F.2d 1131, 1136 (D.C. Cir.), cert. denied, 469 U.S. 917 (1984) (affirming the Commission's finding that the utility only bore the burden to demonstrate that its proposed method of allocating costs was reasonable, not that it was more reasonable than an alternative method).

⁷See ISO's April 14 Filing, Attachment C at 6. See also ISO's May 23, 2000 answer in Docket No. ER00-2208-000, at 8-9.

(A) Intervenors' requests for clarification are hereby granted, as discussed in the body of this order.

(B) Intervenors' requests for rehearing are hereby dismissed as moot, as discussed in the body of this order.

By the Commission.

(S E A L)

David P. Boergers,
Secretary.